

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 NEA-10 IO-13 ISO-00 L-03 FRB-03 OMB-01

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9033

INFO AMEMBASSY BANGKOK

AMEMBASSY DACCA

AMEMBASSY KATHMANDU

AMCONSUL CALCUTTA

USMISSION GENEVA

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EO 11652: NA

TAGS: ETRD, EPAP, UNCTAD, IN

SUBJ: UNCTAD PREPARATORY CONSULTATIONS ON JUTE AND JUTE

PRODUCTS: INDIAN VIEWS ON JUTE COMMODITY AGREEMENT

REF: STATE 248272

1. EMBOFF ASKED MINISTRY OF COMMERCE JOINT SECRETARY B.L. DAS FOR GOI VIEWS ON OUTCOME OF DACCA PRODUCERS MEETING AND PROSPECTS FOR JUET CONSULTATIONS. DAS REPRESENTED GOI AT DACCA MEETINGS AND WILL ATTEND GENEVA CONSULTATIONS. ALTHOUGH HE TOOK HIS CURRENT POSITION ONLY FOUR MONTHS AGO, HE SPOKE EASILY AND KNOWLEDGEABLY ABOUT JUTE PROBLEMS. CONVERSATION FOCUSED ON GOI ATTITUDE TOWARDS PROSPECTIVE JUTE COMMODITY AGREEMENT AND ROLE OF BUFFER STOCK IN IT.

2. DAS FELT BUFFER STOCK WOULD BE AN IMPORTANT ELEMENT IN IMPROVING INTERNATIONAL JUTE MAKET. QUESTION WAS NOT ONE OF STABLIZING

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OVERLY VOLATILE PRICE FLUCTUATIONS, HOWEVER. RATHER PURPOSE OF BUFFER STOCK WOULD BE TO ASSURE CONSUMERS AGAINST OCCASIONAL

SHARP FALLS IN JUTE PRODUCTION DUE TO NATURAL OR OTHER CAUSES. DAS REFERRED PARTICULARLY TO JUTE SHORTAGES FOLLOWING DROUGHT OF MID 1960'S AND BANGLADESH CRISIS OF EARLY 1970'S. THESE HE SAID HAD OCCASIONED LOSS OF CONFIDENCE OF JUTE CONSUMERS IN REGULAR SUPPLY OF JUTE AND PROMPTED SHIFT TO SYNTHETIC SUBSTITUTES. BUFFER STOCK OF JUTE WOULD SERVE AS MARKET STABILIZING DEVICE TO ASSURE CONTINUITY OF SUPPLY. DAS FELT STOCKING OF JUTE WOULD NOT BE TECHNICALLY DIFFICULT. RAW JUTE IS ALREADY WAREHOUSED FOR UP TO ONE YEAR BETWEEN ANNUAL HARVESTS AND JUTE MANUFACTURERS COULD BE STORED EVEN LONGER.

3. ON THE OTHER HAND, BUFFER STOCK COULD NOT SEEVE TO RAISE THE PRICE OF JUTE, DAS ASSERTED. JUTE WAS CURRENTLY OVER PRICED IN COMPARISON TO SYNTHETIC COMPETITORS; GOAL OF JUTE PRODUCERS WAS TO LOWER ITS PRICE. DAS OUTLINED THREE WAYS THIS COULD BE ACCOMPLISHED: FIRST, BY LOWERING THE COST OF PRODUCTION OF RAW JUTE THROUGH HIGHER YIELD; SECOND, BY LOWERING THE COST OF MANUFACTURE THROUGH MODERNIZATION OF JUTE FACTORIES ON THE BASIS OF CURRENT TECHNOLOGY OR THROUGH DEVELOPMENT OF NEW PROCESSING TECHNIQUES; AND THIRD, THROUGH DEVELOPMENT OF NEW END USES.

4. IN THE FACE OF SYNTHETIC COMPETITION, DAS CONCLUDED, JUTE COULD NOT RELY ON BUFFER STOCK ALONE BUT RATHER REQUIRED "INTEGRATED PROGRAM" COVERING OTHER MARKET ASPECTS.

5. DURING CONVERSATION DAS FREQUENTLY SPOKE OF POSSIBILITY-WHICH HE CLEARLY BELIEVED WAS PROBABILITY-THAT PRICE OF SYNTHETIC SUBSTITUTES WAS "UNECONOMICAL." SYNTHETIC PRODUCERS GOAL, HE FELT, WAS TO DRIVE JUTE OFF THE MARKET. HE WARNED THAT CONSUMERS SHOULD EXPECT THAT PRICE OF SYNTHETICS WOULD SHOOT UP ONCE COMPETITION FROM NATURAL JUTE ELIMINATED--A VICTORY OF THE BIG OVER THE LITTLE.

6. DAS CONFIRMED THAT ALL DISAGREEMENTS WITH REGARD TO TO OPERATIONS OF JUTE INTERNATIONAL HAD BEEN RESOLVED AND FINAL FINAL AGREEMENT SHOULD BE SIGNED SHORTLY. HEADQUARTERS OF ORGANIZATION WOULD BE LOCATED IN INDIA; IT WAS UNDECIDED WHETHER DELHI OR CALCUTTA WOULD BE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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SITE. TECHNICAL WING WOULD BE IN BANGLADESH AND AGRICULTURAL WING IN NEPAL. NEPAL ORGAINIZATION WOULD OVERSEE EXTENSIVE AGRICULTURAL RESEARCH WORK UNDERTAKEN IN INDIA AND BANGLADESH. EMBOFF REFERRED TO PRESS REPORT THAT ASIAN DEVELOPMENT BANK WAS PREPARED TO CONSIDER FUNDING FOR JUTE INTERNATIONAL. HAS SAID THAT ADEQUATE SOURCES OF FUNDING WOULD APPEAR AVAILABLE, PARTICULARLY FROM EUROPEAN BILATERAL SOURCES.

7. S.N. CHAKRAVORTI, INDIAN JUTE COMMISSIONER, TOLD NEWSMEN IN CALCUTTA ON OCTOBER 13 THAT JUTE INTERNATIONAL WOULD "EVEN-

TUALLY BE OPERATING AGENCY FOR THE UNCTAD INTEGRATED PROGRAM ON JUTE". HE SAID THAT OBJECTIVES OF JUTE INTERNATIONAL WERE THE SAME AS SIX-POINT OBJECTIVES DRAWN UP DURING UNCTAD PRODUCERS MEETING. ACCORDING TO PRESS REPORT OF CHAKRAVORTI'S REMARKS, BUFFER STOCK WAS IMPORTANT "SO THAT A SUSTAINED, ADEQUATE SUPPLY WAS MAINTAINED TO PROTECT THE CONSUMERS INTERES AND ALSO HELP MAINTAIN PRICE STABILITY AND STEADY EXPORT EARNINGS IN REAL TERMS OF THE PRODUCING COUNTRIES." CHAKRAVORTI ALSO MENTIONED IMPORTANCE OF "LIMITING THE RESEARCH ON THE DEVELOPMENT OF SYNTHETICS FOR SUBSTITUTE FOR JUTE."

8. IN RESPONSE TO EMBOFF'S QUERY CONCERNING PROSPECTS FOR THAILANDS' ACCESSION TO JUTE INTERNATIONAL, DAS SAID THAILAND SEEMED LITTLE INTERESTED, APPARENTLY BECAUSE IT HAD ADOPTED POLICY OF SHIFTING OUT OF JUTE PRODUCTION INTO TAPIOCA. SAXBE

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